



Arnold Schwarzenegger  
Governor

February 16, 2010  
22M:375:JEP:9102:9103

Ms. Kris Stadelman, Director  
North Santa Clara Valley Job Training Consortium  
505 W. Olive, STE 550  
Sunnyvale, CA 94086

Dear Ms. Stadelman:

WORKFORCE INVESTMENT ACT  
FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the North Santa Clara Valley Job Training Consortium's (NOVA) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Ms. Jennifer Patel and Ms. Cynthia Parsell from July 27, 2009 through July 30, 2009. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by NOVA with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2008-09.

We collected the information for this report through interviews with representatives of NOVA, a review of applicable policies and procedures, and a review of documentation retained by NOVA for a sample of expenditures and procurements for PY 2008-09.

We received your response to our draft report on November 10, 2009 and reviewed your comments and documentation before finalizing this report. Your response

adequately addressed the finding cited in the draft report, no further action is required and we consider the issue resolved.

### BACKGROUND

The NOVA was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, NOVA was allocated: \$822,257 to serve 694 adult participants; \$798,535 to serve 170 youth participants; and \$1,086,439 to serve 1,281 dislocated worker participants.

For the quarter ending June 30, 2009, NOVA reported the following expenditures and enrollments for its WIA programs: \$718,746 to serve 1,744 adult participants; \$756,295 to serve 170 youth participants; and \$1,039,432 to serve 4,916 dislocated worker participants.

### FISCAL REVIEW RESULTS

While we concluded that, overall, NOVA is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of Memorandum of Understanding (MOU). The finding that we identified in this area, our recommendation, and NOVA's proposed resolution of the finding is specified below.

### FINDING 1

**Requirement:** 20 CFR Sections 662.270 and 662.300(b) state, in part, that each partner of the One-Stop delivery system (One-Stop Center) must contribute a fair share of the operating costs, which is proportionate to the use of services at the One-Stop Center by individuals attributable to the partner's program. The particular funding arrangements for services and operating costs of the One-Stop delivery system must be described in a documented agreement attributable to the partner's program.

20 CFR Section 662.310(b) states, in part, that WIA emphasizes full and effective partnerships between Local Boards, chief elected officials and One-Stop partners and that all partners must enter into good-faith cost sharing negotiations.

The Department of Labor Financial Management Technical Assistance Guide (TAG), Part I, Chapter 5 states, while there are no statutory or regulatory requirements specifically for the resource sharing agreement (RSA), both the statute and the regulations require the MOU to address how the costs of the

One-Stop system will be shared and how those costs will be paid by each of the partners. As the cost allocation and resource sharing processes require the adjustment of projected costs and resources based on actual costs incurred, the RSA is a document that may be adjusted or modified to actual costs without the need to formally modify the MOU. The RSA should contain all the financial data and documentation to support the funding arrangements that must be addressed in the MOU. If the LWIB does not require the completion of an RSA for the local One-Stop(s) shared costs, then it may be necessary for the MOU to contain financial information and supporting documentation related to how costs of services and operating costs of the system will be funded. The RSA at a minimum should include a list of all shared costs and the goods and/or services provided by each partner to pay for its fair share of the costs.

**Observation:** While NOVA has a current and signed MOU with its partner, Job Corps, it does not include financial data or an RSA. Specifically, Job Corps does not contribute to building rent but has dedicated space at the One-Stop Center. To offset the cost of occupying space at the One-Stop Center, Job Corps has agreed to assign employees to work at the One-Stop Center at least twice a week but no written agreement is in place.

**Recommendation:** We recommended that NOVA provide the Compliance Review Office (CRO) with a corrective action plan (CAP), including a timeline, for adding financial language to its MOU or entering into a RSA with Job Corps. In either case, the space and personnel services costs must be identified. We further recommended that NOVA review the guidance provided by the TAG regarding RSA's. Finally, we also recommended that NOVA provide CRO a copy of its finalized MOU or RSA.

**NOVA Response:** The NOVA stated their CAP will be to amend the MOU between itself and Job Corps with the following paragraph: NOVA and Job Corps recognize that this agreement represents a sharing of resources. Job Corps will contribute staff time and necessary computer equipment as detailed in this agreement. NOVA will provide the on-site space (a single, 48 square foot cubicle), supervision, use of a phone, and other requisite site support. The value of the resources exchanged between these two agencies represents an equitable value offset, thus no other financial considerations will be exchanged. The NOVA provided an unsigned, amended version of the MOU.

On December 17, 2009, NOVA provided a signed copy of the Job Corps MOU.

**State Conclusion:** We consider this finding resolved.

**PROCUREMENT REVIEW RESULTS**

We concluded that, overall, NOVA is meeting applicable WIA requirements concerning procurement.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is NOVA's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain NOVA's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes (916) 654-1292.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Office

cc: Doug Orlando, MIC 50  
Jose Luis Marquez, MIC 50  
Dathan O. Moore, MIC 50  
Daniel Patterson, MIC 45